

UTAH WATER QUALITY STATE REVOLVING FUND

Annual Report

FISCAL YEAR 2005



Division of Water Quality at the Department of Environmental Quality in the Cannon Health Building; Salt Lake City, Utah

Table of Contents

Executive Summary	2
Mission Statement	3
Plan Goals, Objectives and Implementation	3
Long-term Program Goals	3
Short-term Program Goals	4
Details of Accomplishments	4
Current Status and Proposed Improvements	7
Management	7
Table 1 - Utah SRF Accomplishments to 6/30/05	8
Table 2 - Cash Draw Schedule SFY2005	9
Unaudited Statement of Net Assets	10
Unaudited Statement of Revenues, Expenses, and Changes in Fund Net Assets	11
Unaudited Statement of Cash Flows	12
Organization of the Fund	13
Summary of Significant Accounting Policies	14
Cash and Cash Equivalents	15
Loans Receivable	15
Due to State of Utah	16
Capitalization of the Fund	16
Contingencies and Subsequent Events	17
CWSRF Benefits Reporting	18-21
Appendix (Photos)	22, 23

Executive Summary

The Utah State Water Quality Revolving Fund (the SRF) was established pursuant to Title VI of the Federal Clean Water Act of 1987. The SRF provides low interest rate loans to finance the construction of publicly owned water quality preservation and protection facilities.

The Utah Department of Environmental Quality (DEQ) through the Division of Water Quality administers the SRF. The Utah Water Quality Board (the Board), an eleven-member board of officials appointed by the Governor, develops administrative rules for program implementation and authorizes loans under the SRF. The Division of Water Quality's primary SRF activities include administering loans for water quality, assisting communities to properly treat and dispose of wastewater, and managing the fund.

The Division of Water Quality serves as staff for the Board and manages the day-to-day activities of the SRF. The Division of Water Quality receives assistance and support from the Department of Environmental Quality's Office of Support Services, the State Division of Finance, the Attorney General's Office, and the State Treasurer's Office. The salaries and benefits of the DEQ employees, as well as indirect costs based on direct salary costs, are charged to the SRF. Employees charging time to the SRF are covered by the State of Utah personnel benefits plan. The SRF is also charged State indirect costs through a cost allocation plan for general state expenses.

Beginning in fiscal year 1993, Utah established a Hardship Grant Program with the approval of the Environmental Protection Agency. This program was funded in part from hardship grant assessment fees on SRF loans in lieu of interest. Hardship grant assessment payments are deposited in a special Federal Hardship Grant Fund outside of the SRF. The monies deposited in the Federal Hardship Grant Fund can then be used to provide grant money to communities that would otherwise be financially unable to participate in the SRF loan program. Hardship grant assessments, grants, and Federal Hardship Grant Fund interest earnings are accounted for in the following SRF financial statements. Beginning with all loans closed after July 1, 1999, federal hardship grant assessments are used in accordance with the EPA policies and regulations.

Utah also operates a State loan program. This program provides Utah the flexibility to fund needed water quality projects without certain restrictions that accompany the SRF program. State match funds for the SRF have been generated from the State loan program.

Mission Statement

The mission of the Department of Environmental Quality is to safeguard human health and quality of life by protecting and enhancing the environment.



Plan Goals, Objectives and Implementation

Projects that preserve and protect the quality of water in Utah will be considered for financial assistance without limiting those projects to treatment of municipal waste.

Long-term Program Goals

1. Provide a permanent source of funding that can be used in combination with financing from the community's own resources and other funding sources to assist in financing water quality construction projects.

- All projects that have been or will be funded from the SRF will receive loans, which require an annual repayment of principal. The fund balance has been increasing steadily since the fund was established. There is good reason to believe that the fund will continue to generate a repayment stream that will fund projects in the years to come.

2. Evaluate environmental needs within the state in order to rate specific needs for water quality construction and allow SRF funds to be distributed in a priority manner to the most environmentally needy projects.

- All projects that received or are planned to receive loans from the SRF are high priority projects that meet a critical need as defined by the Utah State Project Priority System.

3. Evaluate economic needs of the communities determined to have environmental needs for water quality construction projects. The State considers offering financial assistance that provides sufficient and affordable project funding to communities and maximizes its use of the SRF fund in perpetuity.

- The SRF balances the environmental and economic need for funds and continues the source of funding for the program. A financial feasibility review is performed before a project is authorized for a SRF loan. This review evaluates the rate of interest that an entity can afford to pay and its ability to repay a loan. Unless the entity is determined capable of repaying the loan, an authorization is not made.
- The Hardship Grant Program was created specifically to provide funding for projects that would not be able to proceed due to financial reasons.

- The Water Quality Board assists communities addressing needs for adequate wastewater facilities and recognizes that these facilities must be sized for future growth. When helping communities provide wastewater infrastructure for existing and future users, the Board should be satisfied that proper and adequate planning has taken place so that environmental and quality of life problems associated with sprawl are not fostered by its funded projects.
4. Assist communities receiving SRF funding throughout construction and beyond.
 - The Division of Water Quality assists communities that receive funding from the SRF with design review and guidance through construction. When construction is complete the community receives continual assistance with operation and maintenance of its facility.

Short-term Program Goals

1. Assist communities with funding during facility planning and application preparation and authorize earmarked projects for funding in the Intended Use Plan.
 - Each community in the IUP receives facility planning and funding application preparation assistance.
2. Secure Capitalization Grant funding in the next three months from EPA for wastewater treatment.
 - Water Quality will secure funding with the Environmental Protection Agency each year to replenish the federal revolving fund to make possible funding water quality projects to disadvantaged communities for cleaner water.
3. Partnering with other granting agencies in the next 6 to 18 months to fund unusually large projects.
 - Partnering helps the Water Quality Board fund projects that require significant amounts of money.

Details of Accomplishments

Fund Financial Status

The State Revolving Fund receives Capitalization Grants from the EPA and 20% state matching funds of the grants are obligated.

The fund grows with revenues from interest on loans and interest earned on invested funds. The net income from fund activities continues to increase and the fund balance is increasing steadily.

Assistance Activity

Sixty-five loans have been closed. All projects have begun construction and fifty-six of the projects have completed construction (see Table 1 for details).

Provisions of the Operating Agreement/Conditions of the Grant

The State of Utah agreed to twenty-three conditions in the Operating Agreement. Twelve conditions have been met and need no further description and are as follows:

1. Agreement to Accept Payments
2. State Laws and Procedures
3. State Accounting and Auditing Procedures
4. Recipient Accounting and Auditing Procedures
5. Use of the LOC
6. Repayments
7. Annual Audit
8. Annual Report
9. Annual Review
10. Anti-lobbying
11. Drug Free Workplace
12. Rural Area Business Enterprise Development Plan

The remaining eleven conditions described in the Operating Agreement have also been met and are described below:

13. Provide State Match - State matching funds have either been added to the fund or committed to the SRF in the amount required by the Clean Water Act. State match funds are available from the Utah Wastewater Project Assistance Program.
14. Repayment Begins Within One Year of Construction End - The Utah State Revolving Fund requirement for repayments of principal and interest are to occur within one year after construction completion. This allotted time allows revenue accumulation for one annual loan payment.
15. Expeditious and Timely Expenditure - Utah has disbursed all cash draws in a timely and expeditious manner. Construction has begun on all SRF projects within a short period after loans are closed. (See Table 1 & Table 2 for details.)
16. First Use For Enforceable Requirements - Prior to receiving the Capitalization Grant, Utah had met the requirements of Section 1382(b) (5) of the Clean Water Act. This section requires that all funds as a result of the Capitalization Grant be used first to assure maintenance of progress toward compliance with enforceable deadlines, goals, and requirements of the Clean Water Act.

17. Eligible Activities of the Fund - All of the projects that have received SRF loans, have either expended loan proceeds for eligible costs or used “banked equivalency.”
18. Compliance With Title II Requirements - In accordance with Section 1382 (b) (6) of the Clean Water Act the SRF is required to meet sixteen specific Title II “equivalency” requirements for those Section 212 wastewater treatment projects constructed in whole or part before October 1, 1994, with funds “directly made available “by the Capitalization Grant. The State has met equivalency requirements up to October 1, 1994 and documented that compliance in previous annual reports. Since there was no requirement under this statute beyond the October 1, 1994 date, there has been no additional reporting for equivalency in this report.
19. MBE/WBE Requirements - The State negotiated with Region VIII fair share utilization goals for participation on activities financed by the SRF. During the state fiscal year the SRF program has met or exceeded the minimum Disadvantaged Business Enterprise (DBE) utilization program requirements. Construction projects have either implemented fair share utilization goals for DBE participation or have demonstrated that a good faith effort was made to provide opportunity for qualified DBE involvement.
20. Other Federal Authorities - The State and all recipients of SRF funds directly made available by the Capitalization Grant have complied with applicable federal authorities. Recipients of SRF assistance agreed to do this as a condition of the bond agreement between the loan recipient and the State.
21. State Environmental Review Process - During the fiscal year the State was actively involved assisting potential SRF projects with planning. Environmental impacts are being carefully considered with each plan. No loans are closed with a community until a Categorical Exclusion, Finding of No Significant Impact, or Environmental Impact Statement is issued.
22. Cash Draw Procedures - Table 2 of this report includes the amount of funds drawn from the federal Letter of Credit (LOC) and from the state match for projects and administration for the fiscal year.
23. Outlay Projections - The FY05 IUP projected draws from the federal LOC equal to \$6,949,300. During SFY 2005 a total of \$3,311,051 was actually drawn, which is approximately 48% of the projected amount. The reasons for the monetary projection to actual changes are as follows:
 - Parowan City loan closing occurred after the end of the SFY 2005, which was later than originally indicated in the IUP. If the actual loan closing would have occurred as anticipated, more funds could have been drawn.
 - Bear Lake SSD had drawn less in the SFY 2005 than previously sought. Bear Lake SSD may not use the entire authorized loan amount and a back end payment to the loan could be necessary.

- Loan closing for Stockton Town did not happen as anticipated. We are expecting to have a loan closing in April of next year.
- West Point City, an authorized loan recipient, declined on its loan.
- Eagle Mountain did not have a loan closing as anticipated. We are expecting to go before the Water Quality Board in November of this 2005 calendar year for authorization.
- Hooper City did not have a loan closing as anticipated. We are hoping to close on the authorized loan sometime during the 2006 calendar year.

Current Status and Proposed Improvements

The State Revolving Fund has grown into a permanent source of financial assistance for construction of water quality projects in the State of Utah. The fund balance has been growing steadily since the fund was first established.

There are many water quality projects every year in Utah that do not receive funding directly from the SRF. Utah encourages community self-reliance through prudent planning and cooperative efforts to utilize other sources of available financial assistance.

Many of the larger wastewater treatment facilities in high population areas of the State have developed their own sources of financing wastewater facilities construction without the benefits of the State Revolving Fund. Medium-sized communities rely heavily on the SRF to provide additional assistance needed to make wastewater treatment affordable to their citizens. Communities with small populations use the Rural Development Administration in combination with the Utah Wastewater Project Assistance Program for loans and grants to allow for affordability of their wastewater projects. The Community Impact Board funding is used by communities located within impacted communities.

Management

The Utah Water Quality Board governs the State Revolving Fund, sets policy, and authorizes assistance. The Construction Assistance Section of the Water Quality Division manages the State Revolving Fund.

Table 1										UTAH STATE REVOLVING FUND - ACCOMPLISHMENTS to 6/30/05													
PROJECT	IDENTIFICATION	E	NE	Type*	%	Hardship	Term	Need	Planned	Actual	Binding Commitment	Planned	Actual	Construction Start	Planned	Actual	Construction Complete	Actual					
Recipient Name	Project Number																						
Smithfield City	C490283	101	◆	L	0.00%		20 yrs	IVa&b	3,630,300	3,630,300	May-88	Aug-88	Aug-88	Aug-88	Aug-88	Aug-88	Oct-89	Aug-90					
South Davis SID - North	C490275	102	◆	L	3.00%		20 yrs	I	4,498,440	4,498,000	Jan-89	Jan-89	Jan-89	Jan-89	May-88	Feb-88	Oct-90	Oct-91					
Central Davis SID - Ph 4	C490285	103a	◆	L	3.00%		20 yrs	I	1,250,000	1,250,000	Aug-88	Feb-88	Feb-88	Aug-88	Aug-88	Feb-88	Feb-90	Aug-91					
Providence City	C490292	104	◆	L	0.00%		18 yrs	IVa & b	3,500,000	3,500,000	Sep-89	Sep-89	Sep-89	Sep-89	Sep-89	Nov-90	Nov-90	Jan-91					
Sollitude ID Phase I	C490298	105	◆	L	0.00%		20 yrs	IVb	3,200,000	2,993,000	Sep-89	Mar-90	Mar-90	Sep-89	Sep-89	Jan-90	Jan-93	Jan-92					
Central Davis SID - Ph 5&6	C490285	103b	◆	L	3.00%		20 yrs	I	1,150,000	1,150,000	Sep-88	Apr-90	Apr-90	Feb-89	Feb-89	Feb-90	Aug-91	Aug-91					
Central Davis SID - Ph 5&6	C490283	108	◆	L	5.00%		20 yrs	I	500,000	850,000	Mar-90	Apr-90	Apr-90	Feb-90	Jan-90	Jan-91	Mar-91	Nov-92					
South Davis SID - North	C490275	107	◆	L	5.00%		20 yrs	I	4,300,000	4,205,000	Feb-90	Aug-90	Aug-90	Feb-89	Feb-89	Sep-91	Nov-92	Nov-92					
Sollitude ID (phase II & III)	C490298	112	◆	L	0.00%		20 yrs	IVa&IVa	1,300,000	2,376,716	Mar-91	May-91	May-91	Jan-91	Apr-90	Jan-93	May-91	May-91					
Hyde Park City	C490301	106	◆	L	0.00%		18 yrs	IV b	1,750,000	800,000	Dec-91	Dec-91	Dec-91	May-91	Sep-91	Jun-93	Mar-95	Mar-95					
South Weber City	C490300	114	◆	L	0.00%		20 yrs	IVa&IVa	3,006,000	3,056,000	Mar-92	May-92	May-92	Jan-92	Jun-92	Sep-95	Oct-95	Oct-95					
South Davis SID - South	C490275	115	◆	L	4.00%		20 yrs	I	3,441,000	4,475,000	Sep-92	Sep-92	Sep-92	Aug-92	Aug-92	Sep-94	Oct-95	Oct-95					
Aurora City	C490309	119	◆	L	0.00%		20 yrs	IVb, IVa&I	965,000	965,000	May-93	Apr-93	Apr-93	Jul-93	Nov-93	Dec-95	Sep-94	Sep-94					
Timpanogos SD (sludge)	C490330	125	◆	L	3.50%		10 yrs	II	1,300,000	1,300,000	Jun-93	Jun-93	Jun-93	Jul-93	Jun-93	Jul-94	Dec-93	Dec-93					
St. George City	C490320	123	◆	L	3.50%		20 yrs	I	4,000,000	4,000,000	Dec-93	Dec-93	Dec-93	Feb-94	Nov-94	Sep-97	Oct-98	Oct-98					
Santaquin City	C490306	109	◆	L	0.00%		20 yrs	IVb, IVa&I	2,307,000	1,307,000	Dec-93	Feb-94	Feb-94	May-94	Apr-94	Jun-96	Dec-93	Dec-93					
Orem City	C490317	128	◆	L	0.00%		20 yrs	I	3,500,000	3,500,000	Feb-94	Apr-94	Apr-94	Mar-94	Mar-94	Jun-96	Jun-97	Jun-97					
North Davis Co. SID	C490328	126	◆	L	0.00%		20 yrs	II	4,000,000	4,000,000	Dec-93	Dec-93	Dec-93	Jan-94	Jan-94	Apr-96	Apr-96	Apr-96					
Snyderville Basin SID	C490313	122	◆	L	0.00%		20 yrs	I	2,500,000	2,500,000	Mar-94	Jun-94	Jun-94	Oct-95	Aug-94	Jun-96	Jun-97	Jun-97					
Grantsville City	C490289	124	◆	L	0.00%		20 yrs	I	3,287,000	3,278,000	Jul-95	Aug-95	Aug-95	Jul-96	Aug-95	Dec-96	Aug-97	Aug-97					
Moab City	C490324	129	◆	L	4.50%		20 yrs	I	1,821,000	1,725,542	Apr-96	Sep-96	May-96	Oct-96	May-96	Dec-96	Oct-96	Oct-96					
Highland City	C490340	144	◆	L	0.00%		20 yrs	IVa & b	2,500,000	2,176,000	Apr-97	May-97	May-97	Apr-97	Apr-97	Apr-98	Mar-99	Mar-99					
Central Davis Co. SD	C490336	140	◆	L	0.00%		20 yrs	I	5,100,000	5,100,000	Jul-97	Jul-97	Jul-97	Aug-97	Aug-97	Sep-98	Oct-99	Oct-99					
Nibley City	C490339	142	◆	L	0.00%		30 yrs	IVa & b	6,054,000	6,104,000	Jul-01	Jul-01	Jul-01	Aug-01	Aug-01	Sep-02	May-04	May-04					
St. George City	C490335	138	◆	L	0.00%		20 yrs	I & II	12,000,000	12,000,000	Sep-97	Sep-97	Sep-97	Oct-97	Oct-97	Sep-99	Aug-02	Aug-02					
Mapleton City	C490294-02	143	◆	L	0.00%		20 yrs	IVa&b	0	2,990,000	Dec-97	Dec-97	Dec-97	Jul-95	Jul-95	Sep-99	Dec-96	Dec-96					
Tooele City	C490303	111	◆	L	0.00%		20 yrs	I & II	7,570,000	7,570,000	Sep-97	Sep-97	Sep-97	Oct-97	Jan-98	Sep-99	Apr-01	Apr-01					
Washington City	C490319	213	◆	L	0.00%		20 yrs	IVb&IIa	3,356,000	3,356,000	May-99	May-99	May-99	Jun-99	Jun-99	Jun-01	Jul-03	Jul-03					
Ephraim City	C490273	212	◆	L	0.00%		20 yrs	I	2,100,000	2,100,000	Sep-99	Sep-99	Sep-99	Oct-99	Oct-99	Dec-00	Jul-00	Jul-00					
Minersville City	C490321	209	◆	L	0.00%		20 yrs	I	525,000	525,000	Sep-99	Sep-99	Sep-99	Oct-99	Oct-99	Mar-00	Mar-00	Mar-00					
Escalante City	C490347	214	◆	L	0.00%		20 yrs	I	563,000	563,000	Oct-99	Oct-99	Oct-99	Oct-99	Mar-00	Mar-00	Mar-00	Mar-00					
Richfield City	C490355	204	◆	L	0.00%		20 yrs	IIb	4,000,000	4,000,000	Nov-99	Nov-99	Nov-99	Jan-99	Jan-99	Dec-00	Aug-02	Aug-02					
Price River WID	C490354	145	◆	L	4.00%		Jun-00	I	1,000,000	1,000,000	May-00	May-00	May-00	Jun-00	Jun-00	Jun-01	Mar-01	Mar-01					
Green River City	C490329	110	◆	L	0.00%		20 yrs	IIb	870,000	870,000	Jun-00	Jun-00	Jun-00	Jul-00	Jul-00	Jun-01	May-02	May-02					
Salina City	C490348	211	◆	L	1.00%		20 yrs	IIb & IVb	2,750,000	2,725,000	Mar-00	Mar-00	Mar-00	Apr-00	Sep-00	Feb-02	Nov-03	Nov-03					
Salina City (increase)	C490348	218	◆	L	1.00%		20 yrs	IIb & IVb	4,000,000	4,000,000	Apr-00	Apr-00	Apr-00	Sep-00	Sep-00	Feb-02	Nov-03	Nov-03					
Snyderville Basin (PR)	C490334	146	◆	L	2.00%		10 yrs	I	4,000,000	4,190,000	May-00	May-00	May-00	Dec-00	Nov-00	Feb-01	Aug-03	Aug-03					
Sunnyside City	C490356	154	◆	L	0.00%		20 yrs	IIb	635,000	635,000	Apr-01	Apr-01	Apr-01	May-01	May-01	Apr-02	Oct-02	Oct-02					
West Haven SD	C490326	152	◆	L	0.00%		20 yrs	IVb	6,536,000	6,536,000	Sep-00	Apr-01	Apr-01	Nov-99	May-01	Feb-00	Nov-03	Nov-03					
Hildale City	C490310	118	◆	L	0.00%		20 yrs	I & IVb	1,585,000	1,585,000	Jul-01	Aug-01	Aug-01	Aug-01	Sep-01	Feb-00	Nov-02	Nov-02					
Payson City	C490333	148	◆	L	4.00%		20 yrs	I	8,479,000	7,479,000	May-01	Aug-01	Aug-01	May-01	Sep-01	Feb-02	Oct-04	Oct-04					
Bear Lake SSD	C490312	220	◆	L	0.00%		25 yrs	I	2,230,000	2,230,000	Jul-02	Jul-03	Jul-03	Jul-02	Aug-03	Dec-03	Dec-03	Dec-03					
Beaver City	C490357	217	◆	L	0.00%		20 yrs	I & IVb	2,950,000	2,050,000	Oct-01	Dec-01	Dec-01	Oct-01	Feb-02	Apr-03	Jun-03	Jun-03					
Oakley City	C490360	221	◆	L	0.00%		20 yrs	I	400,000	400,000	Jun-02	Jun-02	Jun-02	Jul-02	Aug-02	Sep-03	Jun-03	Jun-03					
South Salt Lake City	C490369	202	◆	L	0.00%		20 yrs	I	1,200,000	1,230,000	Jun-02	Aug-02	Aug-02	Jun-02	Nov-02	Jun-02	Dec-99	Dec-99					
Mapleton City	C490388	160	◆	L	2.00%		20 yrs	I	1,100,000	1,100,000	Sep-03	Feb-04	Feb-04	Jul-04	Jul-04	Feb-04	Jun-04	Jun-04					
Nibley City (increase)	C490339	142	◆	L	0.00%		30 yrs	IIa & IVb	6,054,000	1,360,000	Jul-01	Feb-03	Feb-03	Aug-01	Mar-03	May-03	May-04	May-04					
Nibley City (increase)	C490339	142	◆	L	0.00%		30 yrs	IIa & IVb	6,054,000	275,000	Jul-01	Jan-04	Jan-04	Aug-01	Mar-03	May-03	May-04	May-04					
Hyrum City	C490368	209	◆	L	1.30%		20 yrs	I	4,220,000	4,220,000	Aug-03	Dec-03	Dec-03	Aug-03	Aug-03	Dec-05							
Fairview City	C490327	120	◆	L	0.00%		30 yrs	IVa, IVb, I	1,600,000	2,400,000	Feb-04	Jan-04	Jan-04	Mar-04	Feb-04	Jan-04	Jan-04	Jan-04					
Dale Gubler	N002	157	◆	L	0.00%		12 yrs	NPS	43,838	43,838	Jan-04	Feb-04	Feb-04	Jul-03	Jul-03	Oct-05	Oct-05	Oct-05					
North Davis Sewer District	C490318	157	◆	L	2.74%		20 yrs	I, II	20,000,000	20,000,000	Jun-03	Mar-05	Mar-05	Oct-03	Jul-04	Oct-05	Oct-05	Oct-05					
North Davis Sewer District	C490318	157	◆	L	2.32%		20 yrs	I, II	20,000,000	900,000	Jun-03	Mar-05	Mar-05	Oct-03	Jul-04	Oct-05	Oct-05	Oct-05					
Central Davis County SD	C490386	156	◆	L	1.90%		20 yrs	IVa & b, I	2,700,000	2,700,000	May-03	May-03	May-03	Mar-03	Jun-03	Jun-05	Jun-05	Jun-05					
Central Davis County SD (Inc.)	C490386	156	◆	L	0.50%		20 yrs	IVa & b, I	2,700,000	405,000	May-03	May-03	May-03	Mar-03	Jun-03	Jun-05	Jun-05	Jun-05					
Central Valley WRF	C490381	158	◆	L	3.00%		20 yrs	IIb	36,100,000	35,000,000	Jul-04	Apr-05	Apr-05	Aug-04	Apr-05	Dec-05	Dec-05	Dec-05					
Moroni City	C490365	150	◆	L	0.50%		20 yrs	II	2,635,000	3,700,000	Sep-03	Jun-05	Jun-05	Oct-03	Jun-05	Dec-04	Jul-05	Jul-05					
North Fork SSD	C490382	227	◆	L	3.00%		20 yrs	IVa	1,640,000	1,640,000	Nov-03	May-04	May-04	May-04	May-04	Jul-05	Jul-05	Jul-05					
Hooper City	C490359	136	◆	L	0.00%		30 yrs	IVa	7,874,000	10,000,000	Apr-04			Mar-05	Mar-05	Apr-06	Apr-06	Apr-06					
										TOTAL LOANS												</	

UTAH SRF - Cash Draw Schedule SFY 2005														
Table 2	Recipient Name	EPA Project Number	State Project Number	First ♣ Second ♦	Water Quality Loan Assistance Amount	Draw Amount	Binding Commitment	Construction Start	Construction Complete (CP)	SFY 2005 Jul-Sep 1 Qtr	SFY 2005 Oct-Dec 2 Qtr	SFY 2005 Jan-Mar 3 Qtr	SFY 2005 Apr-Jun 4 Qtr	TOTAL
	Bear Lake SSD	C490312	220	♣	2,230,000	2,000,000	Sep-01	Aug-03		300,000			100,000	400,000
	Central Davis SD	C490386	156	♣	3,105,000	2,700,000	Apr-05	Jun-03		1,100,000				1,100,000
	Fairview City	C4902327	120	♣	2,400,000	2,400,000	Jan-04	Feb-04			2,399,900			2,399,900
	North Davis SD	C490318	157	♦	20,900,000	16,000,000	Mar-05	Jul-04			2,000,000	5,000,000	5,000,000	12,000,000
	Central Valley WRF	C490381	158	♦	35,000,000	26,700,000	Apr-05	Apr-05					26,700,000	26,700,000
	Moroni City	C490372	150	♣	3,700,000	1,030,000	Jun-05	Jun-05					1,030,000	1,030,000
	Administration									33,153	39,400	43,900	57,221	173,674
	TOTAL				67,335,000	50,830,000				1,433,153	4,439,300	5,043,900	32,887,221	43,803,574
	Federal LOC									270,663	1,966,902	43,900	1,029,586	3,311,051
	SRF Repaymnt Fund									1,100,000	2,000,000	5,000,000	31,700,000	39,800,000
	State Match									62,490	472,398	0	157,635	692,523

**UTAH STATE
REVOLVING FUND**

**FINANCIAL
STATEMENTS**

FISCAL YEAR 2005

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
Water Quality State Revolving Fund
Unaudited Statement of Net Assets
June 30, 2005

ASSETS	Loan Fund	Hardship Fund	Total
Current Assets:			
Cash & Cash Equivalents	\$9,373,375	\$7,974,774	\$17,348,149
Receivables:			
Due from EPA	27,328		27,328
Loan Interest	196,436		196,436
Hardship Assessments		927,171	927,171
Accounts Receivable	91,997		91,997
Loans Receivable	9,354,651		9,354,651
Total Current Assets	19,043,787	8,901,945	27,945,732
Noncurrent Assets:			
Loans Receivable	141,933,789		141,933,789
Total Noncurrent Assets	141,933,789	0	141,933,789
Total Assets	\$160,977,576	\$8,901,945	\$169,879,521
LIABILITIES			
Current Liabilities:			
Due to State	121,151		121,151
Total Current Liabilities	121,151		121,151
Total Liabilities	121,151		121,151
NET ASSETS			
Unrestricted Net Assets:	\$160,856,425	\$8,901,945	\$169,758,370

The Notes to the Financial Statements are an integral part of this statement.

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
Water Quality State Revolving Fund
Unaudited Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2005

	Loan Fund	Hardship Fund	Total
OPERATING REVENUES			
Loan Interest	\$814,468		\$814,468
Hardship Assessments		1,623,870	1,623,870
Late Fees	13,804		13,804
Charges for Services	40,785		40,785
EPA Grant Administration	201,001		201,001
Total Operating Revenues	1,070,058	1,623,870	2,693,928
OPERATING EXPENSES			
Program Administration	201,001		201,001
Project Administration	40,785		40,785
Total Operating Expenses	241,786	0	241,786
Operating Income	828,272	1,623,870	2,452,142
NON OPERATING REVENUES			
Investment Interest	739,615	167,780	907,395
EPA Grant	3,137,376		3,137,376
Utah State Match	468,260		468,260
Total Nonoperating Revenues	4,345,251	167,780	4,513,031
Change in Net Assets	5,173,523	1,791,650	6,965,173
Net Assets - Beginning	155,682,902	7,110,295	162,793,197
Net Assets - Ending	\$160,856,425	8,901,945	169,758,370

The Notes to the Financial Statements are an integral part of this statement.

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
Water Quality State Revolving Fund
Unaudited Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

	Loan Fund	Hardship Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Loan Payments	\$8,571,547		8,571,547
Disbursement of New Loans	(43,636,939)		(43,636,939)
Receipts from Loan Interest and Penalties	648,441		648,441
Receipts from Loan Hardship Assessment		1,643,611	1,643,611
Receipts from EPA	181,372		181,372
Program Administration	(179,546)		(179,546)
Charges for Services	42,237		42,237
Project Administration	(42,237)		(42,237)
Net Cash Provided by/(Used by) Operating Activities	(34,415,125)	1,643,611	(32,771,514)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from EPA	3,137,377		3,137,377
Receipts from State of Utah	468,260		468,260
Net Cash Provided by Noncapital Financing Activities	3,605,637	0	3,605,637
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from Investments	739,615	167,780	907,395
Net Cash Provided by Investing Activities	739,615	167,780	907,395
Increase in Cash and Cash Equivalents	(30,069,873)	1,811,391	(28,258,482)
Cash and Cash Equivalents, Beginning of Year	39,443,248	6,163,383	45,606,631
Cash and Cash Equivalents, End of Year	9,373,375	7,974,774	17,348,149
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	828,272	1,623,870	2,452,142
Net Changes in Assets and Liabilities:			
(Increase)/Decrease in Loan Interest Receivable	17,676		17,676
(Increase)/Decrease in Penalties Receivable	8,965		8,965
(Increase)/Decrease in Hardship Assessment Receivable		(186,731)	(186,731)
(Increase)/Decrease in Receivables from EPA	(19,628)		(19,628)
(Increase)/Decrease in Due from Other Funds	479,961	206,472	686,433
(Decrease)/Increase in Due to Other Funds	(206,472)		(206,472)
(Decrease)/Increase Due to State	20,001		20,001
(Increase)/Decrease Accounts Receivable	1,453		1,453
(Increase)/Decrease in Loans Receivable	(35,545,353)		(35,545,353)
Net Cash Provided by Operating Activities	\$ (34,415,125)	\$ 1,643,611	\$ (32,771,514)

The Notes to the Financial Statements are an integral part of this statement.

UTAH DEPARTMENT OF ENVIRONMENTAL QUALITY
Water Quality State Revolving Fund
Notes to Financial Statements
June 30, 2005
Unaudited

Note 1. Organization of the Fund

The State Revolving Fund (SRF) program was established pursuant to federal action to provide assistance to public water systems for projects that meet eligibility requirements. The SRF (the Fund) program allows the State to provide low interest rate loans with grants to finance qualified publicly owned preservation and protection projects. The United States Environmental Protection Agency (EPA) allows up to 4% of the Capitalization Grant for administration of the program and this funding allows for supervision of the program by qualified technical staff that provides project management oversight.

The Board, an eleven-member board appointed by the Governor, develops policies and procedures for program implementation and authorizes loans under the Fund program. The Department of Environmental Quality and the Board jointly manages the program, while the division reviews loan applications for eligibility, prioritizes eligible projects, monitors loan repayments, and conducts project inspections. Through Utah Code the legislature has enacted and empowers the Board with rule making authority that meets federal law requirements. The Board reviews each loan applicant to determine its ability to repay the loan, its readiness to proceed with the project, and its ability to complete the project.

The Fund receives assistance and support from the Department of Environment Quality's Office of Support Services, the State Division of Finance, the State Attorney General's Office, and the State Treasurer's Office. The salaries and benefits of the employees, as well as indirect costs based on direct salary costs, are charged to the Fund based on time spent on SRF activities. Employees charging time to the Fund are covered by the State of Utah personnel benefits plan. The Division of Finance charges loan administration fees to the program.

The Fund is capitalized by a series of grant awards from EPA. States are required by EPA to provide additional 20 percent matching funds to the federal Capitalization Grant amount.

The Fund with its activities is included in the Utah Comprehensive Annual Financial Report (CAFR) as part of the Proprietary Funds (Water Loan Programs). The Fund's assets, liabilities, and net assets are combined with other state programs and are not separately identifiable.

Notes to the Financial Statements

Note 2. Summary of Significant Accounting Policies

The accounting policies of the SRF conform in all material respects with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Basis of Accounting

The SRF financial statements are presented as an enterprise fund. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. All assets and liabilities associated with the operation of the funds are included in the balance sheet. The State has elected to follow the accounting pronouncements of the Governmental Accounting Standards Board (GASB), as well as statements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents and Investments

The State Treasurer in accordance with the Money Management Act, Section 51-7 of the Utah Code administers cash and investment management in the State. The Act specifies the investments that may be made, which are only high-grade securities and, therefore, there is very little risk except in the most unusual and unforeseen circumstances. The investments include variable rate corporate notes and obligations of U.S. government agencies that base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate and, therefore, there is very little market risk because the investments follow the normal swings of interest rates. Cash equivalents are generally considered short-term highly liquid investments with maturity of three months or less from the purchase date.

All funds deposited with the treasurer are considered to be cash or cash equivalents regardless of the actual maturities of the underlying investments in the statement of cash flows. Shares are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain investments and for External Investment Pools," which requires all investments in debt and equity securities to be reported at fair value in the balance sheet and all investment income, including changes in the fair value of investment, to be reported in the statement of revenue and expenses.

Notes to the Financial Statements

Hardship Assessments

The Board has the option to charge a hardship assessment in lieu of interest. Hardship assessments are calculated and paid in the same manner as interest. The Program restriction for the use of hardship assessments differs from the restriction for the use of interest. Hardship assessments are accounted for in a separate fund and can be used for purposes other than loans, to include grants to disadvantaged communities.

Contributed Capital

In accordance with generally accepted accounting principles (GAAP), funds received from the EPA and the State of Utah for the capitalization of the Fund are recorded as non-operating revenues. Funds received from the EPA to reimburse administrative costs are reported as operating revenue.

Note 3. Cash and Cash Equivalents

All monies of the SRF are deposited with the Utah State Treasurer and are considered cash. The Treasurer is responsible for maintaining the cash balances in accordance with the Utah Money Management Act. Utah's Money Management Act requires the Treasurer to invest these funds in a manner that: (1) ensures maximum safety of principle; (2) provides adequate liquidity to meet all operating requirements; and (3) achieves the highest possible return on investment consistent with the primary objectives of security and safety. Details of the investments of the PTIF can be obtained from the State Treasurer.

Investments in local government investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. Cash and cash equivalents are presented below:

	<u>Loan Fund</u>	<u>Hardship Fund</u>	<u>Total</u>
Cash	\$1,056,026	<\$54,360>	\$1,001,666
Cash Equivalents			
(Investments)	<u>\$8,317,349</u>	<u>\$8,029,134</u>	<u>\$16,346,483</u>
Total	<u>\$9,373,375</u>	<u>\$7,974,774</u>	<u>\$17,348,149</u>

Note 4. Loans Receivable

Loans are funded by 1) the federal Capitalization Grants, 2) State matching funds, 3) loan repayments, 4) interest payments, and 5) fund interest earnings. Loans are made from the Fund to qualified entities for projects that meet the eligibility requirements. A project is funded through the purchase of an incremental disbursement bond. The proceeds are drawn as needed and deposited in the escrow account. Monies are disbursed to borrowers on a cost reimbursement basis. Interest begins accruing when funds are deposited in the escrow account. Repayment must begin no later than one year after completion of the project. Effective interest rates and hardship assessments on loans vary between 0.0 and 5.0 percent

Notes to the Financial Statements

and are generally repaid over 20-years. The interest rates on the loans are generally lower than market rates and, in some cases, are non-interest bearing. Loans mature at various intervals and recipients make annual payments. Additionally, based on the EPA allowance, communities have participated in extended financing for projects. No provision for uncollectible accounts has been made as all loans are current, and management believes that all loans will be repaid according to the loan terms.

Loans mature at various intervals through June 30, 2025 and the scheduled principal repayments on loans in subsequent years follow:

Year ending June 30,	Amount
2006	\$ 9,354,651
2007	9,911,583
2008	10,000,003
2009	10,089,291
2010	10,168,089
Thereafter	101,764,823
Total loans receivable as of June 30, 2005	<u>\$151,288,440</u>

The program is in compliance with the fund commitment rules.

Note 5. Due to State of Utah

Due to State of Utah balances are an aggregation of amounts due to employees for: salaries and benefits; and, vendors and miscellaneous suppliers paid by the state.

Note 6. Capitalization of the Fund

The EPA grants and the State match capitalize the Loan Fund. Loan program draws and the State match are recorded as non-operating revenues.

Through June 30, 2005, SRF Grant awards total \$135,393,094 and the State had deposited \$24,229,842 as matching funds to the loan program. The EPA funds totaling \$120,842,787 was drawn for first round projects, program administration, and has been deposited to the loan program.

Notes to the Financial Statements

The following summarizes the cumulative capitalization of the loan fund.

State Fiscal Year	Cummulative Grant Amount	Cummulative EPA Draws Thru June 30, 2005	Cummulative State Match Deposits
2005	\$135,393,094	\$120,842,787	\$24,229,842

As of June 30, 2005, \$14,550,307 of funds allocated to the SRF loan program has not been drawn.

Note 7. Contingencies and Subsequent Events

- The SRF is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, injuries to state employees while performing SRF business, or acts of God.
- The SRF is included in Utah's Risk Management Fund, which provides insurance in case of loss or claims against the Fund.
- On November 11, 2005, Stockton Town held their general election. The Stockton Town residents voted down the sewer project, and sent a letter to the Division of Water Quality respectfully declining the funding.

Authorized Projects

As of June 30, 2005, the Board had approved funding authorizations for five communities totaling \$16,505,000 for loans that have closed and are pending draws.

	<u>Date Closed</u>	<u>Closed Pending Draws</u>	<u>Authorized not Closed</u>
Stockton Town			\$1,870,000 (see Note 7)
North Fork SSD			1,640,000
Hooper City			10,000,000
Bear Lake SSD	7/22/03	\$230,000	
Central Davis SD	4/18/05	405,000	
North Davis SD	3/24/05	4,900,000	
Central Valley WRF	4/25/05	8,300,000	
Moroni City	6/24/05	2,670,000	
Total Outstanding Commitments		<u>\$16,505,000</u>	<u>\$13,510,000</u>

As of June 30, 2005, the Board had approved funding authorizations for three communities totaling \$13,510,000 for loans that have not closed.

CWSRF Benefits Reporting

Loan: UT1							
Borrower:	North Davis Sewer District	Loan Execution Date:	03/24/2005	Tracking #:	157	Other #:	
Loan Amount \$:	\$20,900,000.00	Loan Interest Rate:	2.32%	Incremental Funding:	N	Phase #:	0
% Funded by CWSRF:		Repayment Period:	20Yrs	Original Tracking #:			
Total from all Projects \$:	20,900,000.00			Same Environmental Results:	<input type="checkbox"/>		
Multiple nonpoint source projects with similar Environmental Results:				<input type="checkbox"/>	# of NPS Projects:	0	

Project: 1 of 1

Project Description: water reclamation facility expansion

Facility Name:

Population Served (Current) :

by the Project: 87,000

by the Facility: 257,000

Wastewater Volume (Design Flow) :

by the Project: 9.0000mgd

by the Facility: 34.0000mgd

Needs Categories:

I Secondary Treatment \$20,900,000.00 100 %

Discharge Information:

Discharge to: Surface Water ☐ Seasonal Discharge
Permit Type: NPDES
Permit Number: UT0021741

Affected Waterbodies:

	<u>Waterbody ID</u>	<u>Waterbody Name</u>	<u>Receiving Waterbody</u>
Primary Impacted Waterbody:	16020310		<input checked="" type="checkbox"/>
Other Impacted Waterbody:			<input type="checkbox"/>

Project Improvement/Maintenance of Water Quality:

a. Contributes to water quality Maintenance.
b. Allows the system to Maintain Compliance.
c. Affected waterbody is Not Assessed.
d. Allows the system to address..... ☐ Existing TMDL ☐ Projected TMDL ☐ Watershed Management Plan

Designated Surface Water Uses (Selected):

Class 2A -- Primary contact recreation
Class 2B -- Secondary contact recreation
Class 3B -- Warm water aquatic life

Protection:

Primary
Primary
Primary

Restoration:

Comments:

CWSRF Benefits Reporting

Loan: UT2					
Borrower:	Central Davis Sewer District	Loan Execution Date:	04/18/2005	Tracking #:	156
Loan Amount \$:	\$3,105,000.00	Loan Interest Rate:	0.50%	Incremental Funding:	N
% Funded by CWSRF:		Repayment Period:	20Yrs	Original Tracking #:	
Total from all Projects \$:	4,284,000.00			Same Environmental Results:	<input type="checkbox"/>
Multiple nonpoint source projects with similar Environmental Results:				<input type="checkbox"/>	# of NPS Projects: 0

Project: 1 of 1

Project Description: Miscellaneous sewer improvements and a pump station

Facility Name:

Population Served (Current) :

by the Project: 43,000

by the Facility: 43,000

Wastewater Volume (Design Flow) :

by the Project: 16.0000mgd

by the Facility: 9.9000mgd

Needs Categories:

IV-B New Interceptors \$1,714,000.00 55 %

IV-A New Collector Sewers \$2,570,000.00 83%

Discharge Information:

Discharge to: Surface Water

☐ Seasonal Discharge

Permit Type: NPDES

Permit Number: UT0020974

Affected Waterbodies:

Waterbody ID

Waterbody Name

Receiving Waterbody

Primary Impacted Waterbody: 16020310

☒

Other Impacted Waterbody:

☐

Project Improvement/Maintenance of Water Quality:

a. Contributes to water quality Not Applicable

b. Allows the system to Not Applicable

c. Affected waterbody is Not Assessed.

d. Allows the system to address..... ☐ Existing TMDL ☐ Projected TMDL ☐ Watershed Management Plan

Designated Surface Water Uses (Selected):

Class 2A -- Primary contact recreation

Class 2B -- Secondary contact recreation

Class 3B -- Warm water aquatic life

Protection:

Primary

Primary

Primary

Restoration:

Comments:

CWSRF Benefits Reporting

Loan: UT3							
Borrower:	CVWRF	Loan Execution Date:	04/25/2005	Tracking #:	158	Other #:	
Loan Amount \$:	\$35,000,000.00	Loan Interest Rate:	3.00%	Incremental Funding:	N	Phase #:	0
% Funded by CWSRF:		Repayment Period:	20Yrs	Original Tracking #:			
Total from all Projects \$:	35,000,000.00			Same Environmental Results:	<input type="checkbox"/>		
Multiple nonpoint source projects with similar Environmental Results:				<input type="checkbox"/>	# of NPS Projects:	0	

Project: 1 of 1

Project Description:

Facility Name:

Population Served (Current) :

by the Project: 125,000
by the Facility: 625,000

Wastewater Volume (Design Flow) :

by the Project: 12.5000mgd
by the Facility: 62.5000mgd

Needs Categories:

I Secondary Treatment \$35,000,000.00 100 %

Discharge Information:

Discharge to: Surface Water ☐ Seasonal Discharge
Permit Type
Permit Number:

Affected Waterbodies:

	<u>Waterbody ID</u>	<u>Waterbody Name</u>	<u>Receiving Waterbody</u>
Primary Impacted Waterbody:			<input checked="" type="checkbox"/>
Other Impacted Waterbody:			<input type="checkbox"/>

Project Improvement/Maintenance of Water Quality:

- a. Contributes to water quality Maintenance.
b. Allows the system to Maintain Compliance.
c. Affected waterbody is Not Assessed.
d. Allows the system to address..... ☐ Existing TMDL ☐ Projected TMDL ☐ Watershed Management Plan

Comments:

CWSRF Benefits Reporting

Loan: UT4					
Borrower:	Moroni City	Loan Execution Date:	06/24/2005	Tracking #:	150
Loan Amount \$:	\$3,700,000.00	Loan Interest Rate:	0.50%	Incremental Funding:	N
% Funded by CWSRF:	93.00%	Repayment Period:	20Yrs	Phase #:	0
Total from all Projects \$:	3,700,000.00			Original Tracking #:	
				Same Environmental Results:	<input type="checkbox"/>
Multiple nonpoint source projects with similar Environmental Results:				<input type="checkbox"/>	# of NPS Projects: 0

Project: 1 of 1

Project Description: Upgrade the treatment process from Activated Sludge to a Membrane Bio reactor (MBR).

Facility Name: Moroni City

Population Served (Current) :

by the Project: 1,334
by the Facility: 1,334

Wastewater Volume (Design Flow) :

by the Project: 1.5000mgd
by the Facility: 1.5000mgd

Needs Categories:

II Advanced Treatment \$3,700,000.00 100 %

Discharge Information:

Discharge to: Surface Water ☐ Seasonal Discharge
Permit Type: Major Municipal
Permit Number: UT0020222

Affected Waterbodies:

	<u>Waterbody ID</u>	<u>Waterbody Name</u>	<u>Receiving Waterbody</u>
Primary Impacted Waterbody:	16030004000463	San Pitch River	<input checked="" type="checkbox"/>
Other Impacted Waterbody:		Rock Dam Irrigation Canal	<input type="checkbox"/>

Project Improvement/Maintenance of Water Quality:

a. Contributes to water quality Improvement.
b. Allows the system to Maintain Compliance.
c. Affected waterbody is Not Assessed.
d. Allows the system to address..... ☐ Existing TMDL ☐ Projected TMDL ☐ Watershed Management Plan

Designated Surface Water Uses (Selected):

Class 2B -- Secondary contact recreation
Class 3C -- Non-game fish and other aquatic life
Class 3D -- Wildlife habitat
Class 4 -- Agricultural

Protection:

Restoration:

Secondary
Secondary
Secondary
Secondary

Comments:

The upgrade project will allow the facility to maintain compliance with its UPDES permit and give the community the option of reusing treated effluent in the future.

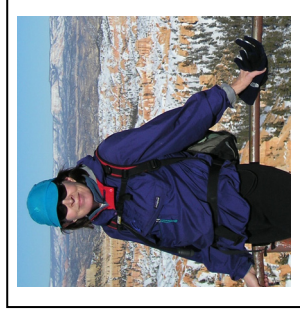
ENGINEERING SECTION



Ed Macauley, P.E.
Engineering
Section Manager



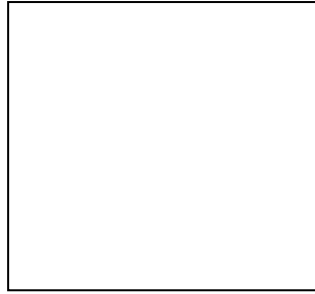
Tim Beavers, P.E.
Environmental Engineer
SRF/UWWLP Project Administration
CIB Representative



Shelly Quick
Environmental Scientist
NPS/STAG Loan Coordinator
Education & Outreach



Paul Krauth, P.E.
Environmental Engineer
Outreach Coordinator
Technical Assistance Expert



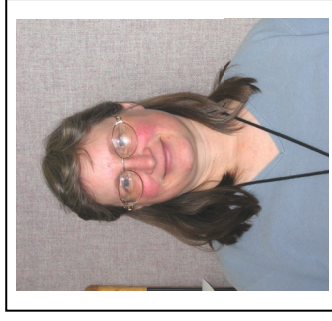
Vacant
Environmental Engineer



Rino Dicataldo
Environmental Engineer
SRF/UWWLP Project Administration
Tax Exemption



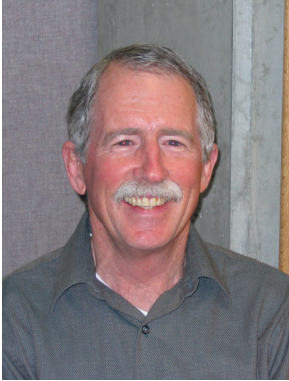
Sid Curnow, MBA
Contract Grant Analyst
SRF/UWWLP Financial Analyst



Judy Etherington
Environmental Program Coord.
Operator Certification

ENGINEERING SECTION

(Three Employees Added Subsequent to SFY 2005)



John Kennington, P.E.
Environmental Engineer



Mike Hanson
Environmental Engineer



Beth Wondimu
Environmental Engineer
SRF/UWWLP Project Administration
MBE/WBE